

Sample Managed Audit Timeline
XYZ Corporation

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Estimated Completion Date	Action	Performed By	Purpose	Actual Completion Date
06/01/00	1 Draft an Audit Plan Summary	Taxpayer		
06/15/00	2 Finalize Audit Plan Summary	Both Parties		
06/30/00	3 Complete managed audit agreement	State	Need to have official agreement for managed audit	
06/30/00	4 Obtain & download data tape	Taxpayer	To prepare data for examination	
	-confirm data for audit periods of identified segments	Taxpayer	Verify that data is available for every period within the scope of the audit period	
	-identify accounts of interest	Both Parties	Search for "extraordinary" accounts that may need to be separately examined	
			Identify accounts that should be deleted based on immateriality or other criteria	
			Identify vendors needing to be separately examined or to determine materiality of particular vendors	
			Verify that no period had unusual level of activity that may warrant a separate examination	
			Identify accounts that have a tax consequence	
06/30/00	5 Segregate the remaining accounts into homogeneous groups (assets/expenses, contract labor, inventory, capital projects)	Both Parties	To ensure the population of each group is representative	
07/15/00	6 State runs control total report & issue to taxpayer for reconciliation. Test transactions issued to taxpayer to determine if items can be traced to source document.	State		
	-State Review & Approval required for population, accounts of interest selection, and account grouping.	State		
	-State provides reports for taxpayer to perform population analysis and to identify dollar layers	State		
07/31/00	7 Perform population analysis for the groups	Both parties	Analyze the population to determine natural breaks in the dollar layers	

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07/31/00	8 Stratify each of the groups into dollar layers	Both Parties	Determine if population has been subdivided into reasonable sample strata layers	
07/31/00	9 Taxpayer and auditor to review and agree upon group stratums and sample sizes for each stratum. Auditor to provide stratums that meet the state's evaluation criteria. Per Comptroller's sample guidelines, the sample size will include a minimum of 100 transactions per stratum.	Both Parties		
08/10/00	10 Generate the samples	State	Select the number of items to be sampled or detailed	
08/10/00	11 State provides sample pull list	State		
08/15/00	12 Evaluate the samples	Both Parties	Review the sample selected for extraordinary transactions and duplicate transactions	
08/15/00	Average dollar analysis	Both Parties	Average dollar of sample should evaluate within Comptroller guidelines	
08/15/00	13 State Issues Notification of Sampling, granting taxpayer approval of sampling approach	State		
09/15/00	14 Examine the sampled transactions	Taxpayer	To determine taxability	
	-schedule transactions into taxable or refunds due schedules		As prescribed by Managed Audit Procedures, see number 9	
	-research any gray areas and provide documentation for auditors review		To support taxability conclusions	
	-submit completed schedules to State Auditor for review			
10/15/00	15 State reviews transactions and identifies questions	State		
10/20/00	16 Auditor and taxpayer meet to discuss schedules and adjustments	Both Parties		
10/22/00	17 Project the sample	State		
	-calculate error rate based on tax due or refund due scheduled transactions		To calculate the taxable % of purchases	
10/31/00	18 Review and finalize results with Comptroller's Office	Both Parties	To determine any disagreements with the results	